

INDIANA DEFERRED COMPENSATION PLANS MANAGER SEARCH

The Indiana Deferred Compensation Plans (approximately \$860 million in total assets) is seeking investment management services for Unconstrained Fixed Income. All information pertaining to the searches will be posted at www.hoosierstart.in.gov.

QUESTIONS AND ANSWERS

1. Would you consider the Barclays Agg Index strategy?

A manager constrained to the Barclays Aggregate Bond Index Strategy is not preferred. Unconstrained fixed income managers typically do not construct portfolios based on a given benchmark, thus have the ultimate flexibility to adjust the exposures of the funds (duration/yield curve, quality, country and currency positioning, sector allocations) to reflect views on the market's opportunities and risks. Active management is strongly preferred.

2. Are you looking for a CIT Vehicle or separate account?

All else equal, there is no strong preference for vehicle type as long as recordkeeping requirements are met. We do specifically ask that you provide the product name, ticker (if applicable), and inception date for each of the vehicle types (e.g. different share classes of mutual funds, commingled trusts, etc.) available for this particular product/strategy being submitted. With this information, the client will be able to compare fees and other relevant factors. Some consideration may be given to the ability of a participant to seek public information on a mutual fund via a ticker, but this will not likely be a significant deciding factor in the search.

3. Would you consider a global fixed income mandate?

A global fixed income strategy will be considered, if the strategy has the ability to tactically adjust exposures depending on the opportunities (or threats) the manager sees in the overall fixed income environment.

4. In section VII. Performance A. 2, an Excel spreadsheet is referenced but not included. Should respondents create their own?

The Quarterly Return Information spreadsheet, along with the other search material, can be accessed on the Hoosier S.T.A.R.T website via the following link: www.hoosierstart.in.gov. The same search material is also available on Capital Cities' website: www.capcities.com. Please do NOT submit this information in PDF format.

5. I'm having trouble finding the excel spreadsheet for section five of the rfp. Would you please send me the excel file?

The Quarterly Return Information spreadsheet, along with the other search material, can be accessed on the Hoosier S.T.A.R.T website via the following link: www.hoosierstart.in.gov. The same search material is also available on Capital Cities' website: www.capcities.com. Please do NOT submit this information in PDF format.

6. Is there a minimum track record requirement for this search?

A minimum track record is not required given the unconstrained mandate for this search. Ideally, at least two key decision-makers will have worked together for five years or longer and in their current organization for three years. The relevant experience of the person responsible for making decisions will be evaluated.

7. Are you considering International Fixed Income strategies?

An international fixed income strategy will be considered, if the strategy has the ability to tactically adjust exposures depending on the opportunities (or threats) they see in the overall fixed income environment. Global strategies (that include US) are preferred over International-only.

8. Will you consider strategies that are benchmark aware but are unconstrained in terms of opportunity set and sources of alpha?

A benchmark aware strategy is not preferred, as the objective is to have a manager who has the ultimate flexibility to adjust the exposures of the funds (duration/yield curve, quality, country and currency positioning, sector allocations) to reflect views on the market's opportunities and risks.

9. What is the preferred benchmark for the mandate?

There is no preferred benchmark for this mandate.

10. What is the preferred peer group for the mandate?

There is no preferred peer group for this mandate.

11. Are you considering institutional mutual funds?

Yes. All else equal, there is no strong preference for vehicle type as long as recordkeeping requirements are met. We do specifically ask that you provide the product name, ticker (if applicable), and inception date for each of the vehicle types (e.g. different share classes of mutual funds, commingled trusts, etc.) available for this particular product/strategy being submitted. With this information, the client will be able to compare fees and other relevant factors. Some consideration may be given to the ability of a participant to seek public information on a mutual fund via a ticker, but this will not likely be a significant deciding factor in the search.

12. Are you considering separate accounts given that no (or minimal) assets will be mapped over initially?

All else equal, there is no strong preference for vehicle type as long as recordkeeping requirements are met. We do specifically ask that you provide the product name, ticker (if applicable), and inception date for each of the vehicle types (e.g. different share classes of mutual funds, commingled trusts, etc.) available for this particular product/strategy being submitted. With this information, the client will be able to compare fees and other relevant factors. Some consideration may be given to the ability of a participant to seek public information on a mutual fund via a ticker, but this will not likely be a significant deciding factor in the search.

If a separate account is proposed, however, a manager will need to demonstrate its ability to effectively manage the mandate given that no assets will be mapped initially (e.g. manager invests in commingled funds).

13. For certain asset related questions, especially those involving Q2 assets, my firm may not be able to release the information requested due to compliance procedures which require us to wait until after our quarterly earnings call. What is your preference for how we address those questions? Would you like to see Q1 information or would you like us to send supplemental information on Q2 assets in the week after the due date?

Q1 information will be accepted. However, please note within your BAA Response any information provided as of Q1.

14. Regarding risk and return targets, the BAA states that the desired "performance tends to be less volatile than a Core/Core Plus Bond strategy." Is there a stated range for target alpha, target volatility and target duration?

There is no stated range for target alpha, target volatility and target duration. However, it is desired for firms to demonstrate diversified risk exposures relative to the Barclays Aggregate Bond Index and the ability to tactically adjust these exposures depending on the opportunities (or threats) they see in the overall fixed income environment. Strategies will be preferred that target positive absolute returns in various fixed income market environments, with similar to less risk than the Barclays Agg.

15. Under the RFP section "MINIMUM QUALIFICATIONS AND SCOPE OF WORK" the statement is made that "Overall, performance tends to be less volatile than a Core/Core Plus Bond strategy." Is this statement a requirement or will unconstrained fixed-income strategies that have exhibited higher volatility than a Core/Core Plus Bond strategy also be considered for this mandate?

It is not a requirement to have less volatility than a Core/Core Plus Bond strategy to be considered. However, it is desired for firms to demonstrate diversified risk exposures relative to the Barclays Agg and the ability to tactically adjust these exposures depending on the opportunities (or threats) they see in the overall fixed income environment.

16. We would be proposing a separate account vehicle for this potential mandate, which can support daily valuation. Can you please confirm that for a separate account structure, the record keeping requirements in Exhibit A would be the responsibility of the client's custodian?

No. According the Plans' recordkeeper, the separate account investment manager's custodian would be responsible.

Additionally, if a separate account is proposed, the manager will need to demonstrate its ability to effectively manage the mandate given that no assets will be mapped initially (e.g. manager invests in commingled funds).